
A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

Cost-of-Living Adjustments

Public Employees' Retirement System • Teachers' Pension and Annuity Fund
 Police and Firemen's Retirement System • State Police Retirement System • Judicial Retirement System
 Consolidated Police and Firemen's Pension Fund • Prison Officers' Pension Fund

The Pension Adjustment Program provides cost-of-living adjustments (COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the state-administered retirement systems listed above. The first adjustment is available in the 25th month after your retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected in the February 1st check (which is payment for the month of January). If your spouse or beneficiary is entitled to receive a monthly pension upon your death, the COLA will be applied to that benefit based upon your year of retirement.

The Division of Pensions and Benefits uses the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items, 1982-84=100. Your rate of increase is equal to 60 percent of the percentage of change between the average CPI for the calendar year in which you retired and the average CPI for the 12 month period ending August 31st immediately preceding the year when the adjustment is payable.

Example: To calculate the COLA due February 1, 2002

A member retired in 1983 with a monthly retirement allowance of \$1,278.35.* The average CPI for the twelve months ending December 31, 1983 was 99.8. The average CPI for the twelve months ending August 31, 2001 was 172.5.

**If the member chose Option 1, the COLA would be calculated on the Maximum Retirement Allowance.*

- To calculate the change in the CPI, subtract 99.8 from 172.5.

$$172.5 - 99.8 = 72.7$$

- To calculate the percentage change in the CPI between the retirement year 1983 and the 12 months ending August 31, 2001, divide 72.7 by 99.8. The result is 72.845%.

$$72.7 \div 99.8 = 72.845\%$$

- The cost-of-living adjustment rate for February 1, 2002 equals 60% of 72.845%, or 43.707%.

$$60\% \times 72.845\% = 43.707\%$$

- Therefore, the cost-of-living adjustment for this member is 43.707% of \$1,278.35, or \$558.73.

$$43.707\% \times \$1,278.35 = \$558.73$$

- The total monthly benefit equals \$1,837.08.

$$\$1,278.35 + \$558.73 = \$1,837.08$$

Your current cost-of-living adjustment can be found under the "Current Earnings" section on your retirement benefit check stub.

You can also verify your current allowance and deduction information at any time by calling our Automated Information System, (609) 777-1777. When calling, you will be asked to enter your Social Security number. Then by pressing 3 after the first prompt — indicating that you requesting retirement information — and 3 again at the second prompt, you can hear the check information in the order as it would appear on your check stub.

This fact sheet has been produced and distributed by:

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